



# **Harry's Take**

August 27, 2024

## **Reader Mailbag: Questions and Harry's Answers on Bitcoin, Real Estate and Market Indicators**

*We receive many questions on various topics, including direction of the markets, demographics, and interest rates. From time to time, we gather a series of questions and answers on a few topics and send them to subscribers as part of our reader Mailbag series.*

**Q:** In the previous 3 downturns, luxury goods and auctioneers, as well as copper, were major indicators of Canaries in the coal mine. Are they still useful indicators anno 2024?

**A:** I don't pay attention to auctioneers as I think they would be more coincidental than leading indicators. But I do pay attention to durable goods as most trade down when the economy gets weaker. I don't see big signs there yet. I just think this time there will be a simple exhaustion of demand, especially in housing. How many times can you trade up to a better house due to lower rates? I think home prices are coming down soon.

**Q:** Does Harry recommend selling all portfolio alt-coin crypto assets if they are still in the money right now when the P&L is still in the green for them? Since many alt-coins remain much lower despite BTC making new all time highs this year is it still recommended to sell long term alt-coin holdings?

**A:** I don't know all the coins, but this will be a general crash where all or most coins are likely to go down, just a matter of how much. Best to be out and re-evaluate depending on how much things crash. I will use Bitcoin as a

**guide for the broader sector. The best buy opportunity would come if Bitcoin got back to its \$15,600 lows.**

Q: You indicate it's good to sell, especially second homes and be very liquid. My question is since most people will lose their homes in a crash. What do you think of the rental market? If I have a home that can be used as a rental, is it worth keeping?

**A: Are you willing to watch your home go down 50%+, so you can rent it out? Doesn't seem like a good tradeoff to me. How about selling your house, and if home prices do go down a lot, then you buy a house much cheaper, and then rent it out.**

Q: Will there be an event that causes the current bubble to burst? It seems like there is still a lot of cash on the sidelines that can fuel the bubble and people are using margin loans on their stocks to buy more houses fueling housing prices.

**A: A drop just back to the late 2022 lows would cause a 45% crash in the Nasdaq. We need some event to cause that level of a crash which would instantly wipe out the just buy on the dip mentality and remind investors how overbought and overvalued the market is. It may be more subtle involving what I call "the exhaustion of demand" as I mentioned above about trading up to a better house.**

Q: Is TLT still a safe haven?

**A: The proof is in the pudding. It is already rising with modestly growing expectations of a recession. That's a good sign thus far. So, there's no suggestion it won't be the safe haven as in the 2008 financial crisis. And with inflation falling so much, it would really be surprising if gold kept going up in a slowing economy, and it did fail as a safe haven in the late stages of the 2008 deep recession.**

**I don't see anything else that could be that safe haven. And again, we have high debt and civil polarity, but we're still the largest and most dynamic economy in the world. So, yes I still see it as the most likely safe haven again.**

Q: Any chance you could give your "best educated" guess as to where the Nasdaq and S&P will fall and how long will it take for them to get there?

**A: It's harder to predict the markets now due to unprecedented intervention by central banks and governments, but I generally expect stocks to go back to around their early 2009 lows which would be down about 88% on the S&P 500 and 94% on the Nasdaq. Time frame is even harder, but my best guess is this happens by the end of 2026 or early 2027.**

Q: Saw your interview on the David Lin show, and liked it. But I was wondering since you said gold would also fall when it collapses. But won't the central banks print so much money during this collapse that gold won't fall?

**A: It is not clear what will happen if the economy collapses again after \$11T in stimulus just in the 2 years after COVID. They overreacted and now that makes the Fed and central banks vulnerable. The 9.1% inflation forced them to tighten 525 bps and we still don't know how much that hits until early 2025 on a 1.5-year or so lag. The public might finally get that we just keep printing money to solve the last bubble and they start to react to the money printing solution... or, the next downturn is deflationary and hits fast enough that the money printing next time is too late to offset before investors panic when they see deflation. My best assumption, until events prove otherwise, is that this next downturn will be 1.5X the one in late 2007 to mid-2009. That means a bigger, longer crash. That means gold does finally go down in the second half, and likely to its support around \$1,000. It means the Treasury bonds will be the safe haven again, and this time, more so, up 70% to 100% vs. 45% last time. Gold is a big question mark in a deflationary crisis, Treasury bonds are not, not in the early 1930s or in 2008-09.**

Q: If you're currently renting, what is the best plan to deal with the turn down from a bubble bust, deal with the recession, while making a best plan practices to succeed in a millennial home purchase?

**A: It's real simple if you are renting now: keep doing that and wait a few years to see how much housing prices come down, and then look into buying and getting a mortgage. That is likely to be late 2026 or mid-2027 before we're over the crash and most of the recession. Save as much money as you can for a down payment, and build good credit by paying your bills on**

**time, etc. Good credit will be much more important after a crash and recession sets in.**

**Q: Why and how is the Australian economy streaming along with housing, commercial property, and shears all still on the up, With Comparable markets like New Zealand and Canada are seeing a downturn. Has immigration solved all our problems?**

**A: Quantity and quality of immigration is Australia's strong suit, more than New Zealand, Canada and the U.S. But, don't expect your real estate or stock markets to hold up when the rest of the developed world has the biggest real estate crash in history. This is a global real estate bubble and beyond anything seen broadly in history. Your real estate is the most overvalued in the world outside of China, which has been the most engineered real estate bubble in history.**

**The difference for me is that I would see strong profits in buying in a crash in Australia. I think real estate will be very slow to come back, and never see new highs (in our lifetimes) in most developed countries. So, less interested in investing in real estate in most places. More interested in buying emerging country stocks and real estate, especially in India and Southeast Asia.**

**Q: Since this market is both so unpredictable and so corrupted/manipulated, what would your upper range target be for BITCOIN to shake you out of the feeling of an imminent crash?**

**A: Markets are close enough to make slight new highs and still crash. If Bitcoin could make a new high first, it just means stocks likely go a bit higher from here. If Bitcoin made a new high over 73,750 and most stocks didn't, that would just create another major divergence. I think it's better to be neutral or short here. This is another extreme upside moment in history like 1929 and 2000. However, I would guess that the upper range for Bitcoin if it did make new highs would be around \$85,000.**

**Harry**

*Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).*

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